

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 SCI-06 SCEM-02 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 FPC-01 AEC-11 L-03 DODE-00 PA-03

USIA-15 PRS-01 AGR-20 ACDA-19 INT-08 TAR-02 RSR-01

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R 171740Z AUG 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6908

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

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LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 11799

E.O. 11652: GDS

TAGS: ENRG, GW

SUBJECT: FRG'S NEW ENERGY POLICY IN FINAL STAGES
OF PREPARATION

1. SUMMARY. THE FRG MINISTRIES CONCERNED HAVE ALL BUT AGREED ON THE MAJOR ELEMENTS OF THE ENERGY POLICY WHITE PAPER WHICH WILL BE TAKEN UP BY THE CABINET ON AUGUST 29. THE '74 BUDGET PROPOSALS WILL FALL SHORT OF ECONOMICS MINISTRY EXPECTATIONS, POSTPONING SEVERAL EXPENSIVE DECISIONS. THE LONGER-TERM COURSE IS A CLEAR ONE, HOWEVER, WITH THE MAJOR THEME BEING AN INCREASED GOVERNMENT ROLE, BOTH IN THE DOMESTIC MARKET AND DIPLOMATICALLY IN SUPPORT OF GERMAN COMPANIES' EFFORTS ABROAD TO SECURE ACCESS TO OIL AND NATURAL GAS.

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OVER THE COMING 10-12 YEARS EXTENSIVE DEVELOPMENT OF

NUCLEAR POWER AND INCREASED IMPORTS OF NATURAL GAS ARE SEEN AS REPLACING A FACILITATED, CONTINUING DECLINE IN THE ABSOLUTE AND RELATIVE USE OF COAL. FEDERAL GOVERNMENT MONEY WILL BE MADE AVAILABLE FOR THE FIRST STAGE OF THE CONSOLIDATION OF THE INDEPENDENT OIL COMPANIES IN THE FRG INTO A GERMAN OIL COMPANY. END SUMMARY.

2. THE FOLLOWING OUTLINE OF THE FRG WHITE PAPER IS BASED ON DISCUSSIONS WITH ECONOMICS MINISTRY OFFICIALS AND PRESS REPORTS, CONFIRMED BY THEM. THE PAPER ITSELF IS STILL IN THE FINAL STAGES OF PREPARATION AND WILL NOT BE PUBLISHED, AS APPROVED BY THE CABINET, UNTIL IT GOES TO THE BUNDESTAG IN SEPTEMBER.

3. THE GOVERNMENT POLICY PAPER FORESEES A 70 INCREASE IN FRG ENERGY CONSUMPTION FROM 355 MILLION HARD-COAL UNIT TONS IN 1972 TO 600 MILLION IN 1985. THE CONTRIBUTION OF SPECIFIC ENERGY SOURCES WILL CHANGE AS FOLLOWS FROM 1975 TO 1985.

SOURCE	1975	1985
PETROLEUM	57	54
HARD COAL	18	8
NATURAL GAS	12	15
BROWN COAL	8	6
NUCLEAR ENERGY	3	15

PETROLEUM

4. THE FEDERAL GOVERNMENT WILL PROVIDE FINANCING FOR THE ACQUISITION OF GELSENBERG BY VEBA, THE FIRST AND KEY STEP IN THE FORMATION OF A GIANT GERMAN OIL COMPANY. THE EXPECTATION IS THAT THIS MERGER WILL BE COMPLETED BY YEAR END. THE FURTHER ABSORPTION BY VEBA OF THE OTHER TWO GERMAN INDEPENDENTS, U.K. WESSELING AND WINTERSHALL -- WHICH THE GOVERNMENT STILL HOPES TO BRING ABOUT -- WILL BE LEFT OPEN FOR A LATER STAGE. THE QUESTION OF NEW MONEY FOR DEMINEX'S OVERSEAS EXPLORATION AND EXPLOITATION WILL BE POSTPONED, SINCE SUBSTANTIAL UNUSED FUNDS ARE STILL AVAILABLE TO LIMITED OFFICIAL USE

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DEMINEX IN 1974.

5. RATHER THAN APPROPRIATE NEW MONEY FOR THE FRG'S NATIONAL CRUDE OIL RESERVE PLAN, THE GOVERNMENT WILL SCALE DOWN THE FIRST STAGE OF CRUDE PURCHASE. (THE FUNDS ORIGINALLY APPROPRIATED FOR A RESERVE OF 10 MILLION TONS WILL BUY ONLY ABOUT 4 MILLION TONS AT CURRENT PRICES.)

6. THE GOVERNMENT WILL OFFER A SUBSIDY FOR 15 OF THE CONSTRUCTION COST OF TANKERS WHICH ARE UNDER THE FRG FLAG AND WHICH ARE SUBJECT TO FRG GOVERNMENT ORDERS IN TIME OF EMERGENCY. IN CONTRAST TO THE CURRENT PROGRAM, THESE SUBSIDIES WILL BE AVAILABLE, UNDER THESE CONDITIONS, TO TANKERS OF FOREIGN-OWNED COMPANIES IN THE FRG. (GERMAN-OWNED COMPANIES ALONE NOW HAVE ON ORDER 10 TANKERS FOR WHICH THE 15 SUBSIDY WOULD COST THE FRG ABOUT DM 150 MILLION.)

7. SOME FINELY BALANCED WORDS WILL ASSURE THE

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INTERNATIONAL OIL COMPANIES THAT THEIR CONTINUED OPERATION IN THE FRG IS WELCOMED (ESPECIALLY IF THEY BUILT NEW REFINERIES) AND THAT THEIR POSITION WILL NOT BE PREJUDICED BY SPECIAL PREFERENCES FOR GERMAN-OWNED COMPANIES. A POLITICAL APPEAL WILL BE MADE TO THE LAENDERTO WORK WITH THE FEDERAL GOVERNMENT TO DEVELOP A NATIONAL SITE PLAN FOR REFINERIES AND POWER STATIONS AND TO REMOVE OBSTACLES TO SITE LICENSING.

COAL

8. THE FRG WILL SEEK A STABILIZATION OF DOMESTIC HARD COAL PRODUCTION AT ABOUT 85 MILLION TONS ANNUALLY, WELL LIMITED OFFICIAL USE

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BELOW THE CURRENT LEVEL OF 102 MILLION TONS. DIRECT AND INDIRECT SUBSIDIZATION OF THIS LEVEL OF PRODUCTION MAY COST, HOWEVER, MORE THAN THE CURRENT LEVEL OF ABOUT DM 2.5 BILLION ANNUALLY. THE FRG WILL PROPOSE TO THE BUNDESTAG A NEW TAX ON ELECTRIC POWER IN THE RANGE OF 0.3 - 0.4 PFENNIG PER KILOWATT HOUR TO RAISE ABOUT DM 1 BILLION FOR COAL SUBSIDIES, PARTICULARLY TO SUPPORT ITS USE BY POWER PLANTS. IN ADDITION, THE FRG WILL INCREASE ITS BOUNTY FOR PIT CLOSINGS AND ITS SUPPORT OF THE SOCIAL OVERHEAD COSTS OF PIT CLOSINGS. NEW TAX CREDITS AND FRG GUARANTEES WILL BE PROPOSED TO SUPPORT THE HIGH CAPITAL COSTS OF BROWN COAL PRODUCTION IN THE FRG. DEVELOPMENT OF COAL GASIFICATION WILL ALSO BE SUPPORTED.

NUCLEAR ENERGY

9. IN THE PERIOD 1973-1976 THE FRG WILL SPEND OVER DM 6 BILLION ON AN ACCELERATED REACTOR DEVELOPMENT PROGRAM, STRESSING FAST BREEDER REACTOR DEVELOPMENT. THIS EFFORT IS DEEMED ADEQUATE TO SUPPORT THE VERY LARGE INCREASE IN THE ROLE OF NUCLEAR POWER FORESEEN BY 1985 (PARA 3 ABOVE).

GAS

10. IN SOME FRANK LANGUAGE, THE FRG WILL ANNOUNCE INTENSIFIED DIPLOMATIC SUPPORT FOR EFFORTS TO SECURE FOR GERMAN COMPANIES THE GREATLY INCREASED NATURAL GAS SUPPLIES FORESEEN BY FRG PLANNERS -- A DOUBLING BY 1985 OF THE 1975 SUPPLY (WHICH WILL ALREADY BE DOUBLE THE CURRENT LEVEL).

CASH

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